

Renewable Energy Financial Incentives

Federal

Currently, the federal government offers a 30% tax credit for the purchase and installation of residential or commercial solar electric and/or solar hot water (thermal) systems. There **was** a \$2000 cap on this credit for both residential solar electric and residential solar hot water installations. Recent legislation extends the tax credits through 2016 and removes the cap on residential solar electric installations put into service after December 31, 2008. The \$2000 cap on residential solar thermal systems remains. Solar pool heating systems do not qualify for this credit. There is no cap on the tax credit for either solar electric or solar thermal commercial installations.

Credits are taken for solar electric and solar hot water systems separately, so an individual or business that installs both systems would be eligible for two credits. These credits offset tax liability. If tax liability in the installation year is less than the credit, the difference can be carried over to the succeeding year.

State

Washington State has taken a very progressive stance toward promoting renewable energy. First and foremost, purchase and installation of PV, solar hot water, and wind are sales tax exempt. This exemption applies to both materials and labor costs and expires in June of 2011 unless extended.

In addition, grid-tied systems are eligible for production incentive payments. In our area PSE administers this state-mandated program. Incentives range from 12 cents to 54 cents per kilowatt-hour generated. PSE customers pay about 8 cents per kilowatt-hour when we purchase electricity, but we have the potential to earn 1.5 to nearly 7 times that much production incentive on the power fed back into the grid by our systems.

The incentive earned in a given year cannot exceed \$2000. Incentive payments are based on power generated from July 1 of one year through June 30 of the following year. The annual payment will be made in one lump sum. This program expires in June 2014 unless extended.

The production incentive rates per kilowatt-hour are as follows:

- 54 cents PV module AND inverter manufactured in WA
- 36 cents only PV modules manufactured in WA
- 18 cents only inverter manufactured in WA
- 15 cents no components manufactured in WA
- 15 cents wind generator with blades manufactured in WA
- 12 cents all other wind generation

Currently the 36 and 54 cents/kilowatt-hour incentives are theoretical as there are no PV modules manufactured in WA State. We do not know when WA PV modules will be available nor do we know how their cost will compare with modules already on the market.

Green Tags

Finally, people with grid-tied PV systems have the opportunity to earn an additional 2 cents per kilowatt-hour from the sales of Green Tags. Green Tags (also known as Renewable Energy Credits) represent the non-power attributes of the home-PV-generated electricity -- the CO₂ and other emissions that are not being released into the air because electricity is being generated cleanly. People commonly purchase these credits to support renewable energy or to use as carbon offsets.

Green Tag sales are administered by Cascade Solar Consulting. Contracts run through 2009. Credit toward the annual payment begins to accrue as soon as a contract with Cascade Solar is signed and the system begins generating power. Within 90 days following the end of a calendar year, Cascade Solar will request a meter reading from the energy producer from which the Green Tag payment is calculated and a check is issued.

Selling Green Tags means selling the environmental attributes of one's power generating system and relinquishing the right to make certain environmental claims about one's system. The right to make these claims has been purchased by the Green Tag buyer. For example, one can say that he owns a renewable energy system or is generating solar energy, but may not say he is producing 'green' or 'clean' energy. Cascade Solar's website (<http://www.cascadesolar.com/greentags.htm>) thoroughly discusses this topic.

For More Information

The 'Incentives' page on our website has links to a number of websites. Point your browser to www.whidbeywind.com/incentive.html and you're off.

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